

Pg 1 of 2
LB GP No 1 Ltd
25 Bank Street
LONDON E14 5LE

20 January, 2009

Lehman Brothers Holdings Inc.
1271 Sixth Avenue
New York
New York 10020

Attn: Bryan Marsal

Dear Sirs,

**Lehman Brothers UK Capital Funding LP ("LP1")
Fixed Rate to CMS-Linked Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities**

**Lehman Brothers UK Capital Funding II LP ("LP2")
Euro Fixed Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities**

**Lehman Brothers UK Capital Funding III LP ("LP3")
Fixed/Floating Rate Enhanced Capital Advantaged Preferred Securities**

**Lehman Brothers UK Capital Funding IV LP ("LP4")
Euro Fixed Rate Enhanced Capital Advantaged Preferred Securities**

and

Lehman Brothers UK Capital Funding V LP ("LP5" and together with LP1, LP2, LP3 and LP4, the "LPs")

Fixed Rate Enhanced Capital Advantaged Preferred Securities

We are writing to you in our capacity as the directors of LB GP No.1 Ltd. (the "Directors"), the General Partner of the LPs, and in relation to the outstanding issues of preferred securities issued by each of the LPs as detailed above (together, the "Preferred Securities"). All terms not defined in this letter are defined terms used in the terms of each of the Preferred Securities.

Following the occurrence of a Trigger Event, under condition 5.1 of each of the terms of the Preferred Securities, LB GP No. 1 Ltd shall take all reasonable steps to cause the substitution of Lehman Brothers Holdings Inc. Substituted Preferred Stock in exchange for the Preferred Securities.

A Trigger Event occurred on 15 September 2008 and a request that Lehman Brothers Holdings Inc. issue Substituted Preferred Stock was made by Directors to Keith Beattie of Alvarez and Marsal ("A&M") at a meeting on 10 November 2008. This request was repeated in an email to Keith Beattie and to James Cole of Weil, Gotshal and Manges on 20 November 2008 and then in several communications (both oral and email) since that date with Keith Beattie and/or James Cole. The urgent nature of a response to this request was also raised at a meeting attended by *inter alia* Antony Rush and Neil Christie and John Kean of A&M on 17 December.

We must advise the holders of the Preferred Securities as soon as possible of the status of the Preferred Securities and whether Substituted Preferred Stock will be issued.

We therefore look forward to receiving as a matter of urgency your response to our request that Lehman Brothers Holdings Inc. issue Substituted Preferred Stock.

Yours faithfully,



David Rushton
Director, LB GP No.1 Ltd.
email: drushton@lehman.com



Antony Rush
Director, LB GP No.1 Ltd.
email: arush@lehman.com

cc: Jeffrey Welikson, Lehman Brothers Holdings Inc.
Keith Beattie, Alvarez and Marsal
Neil Christie, Alvarez and Marsal
James Cole, Weil, Gotshal and Manges
Alex Elviss, Law Debenture
Sarah McMorrow, Lehman Brothers